

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON LOCAL GOVERNMENT**

**Call to Order:** By **CHAIRMAN MARK NOENNIG**, on January 9, 2001 at 3:00 P.M., in Room 472 Capitol.

#### **ROLL CALL**

**Members Present:**

Rep. Mark Noennig, Chairman (R)  
Rep. Rod Bitney, Vice Chairman (R)  
Rep. Jeff Mangan, Vice Chairman (D)  
Rep. Joan Andersen (R)  
Rep. Eileen Carney (D)  
Rep. Larry Cyr (D)  
Rep. John Esp (R)  
Rep. Dennis Himmelberger (R)  
Rep. Hal Jacobson (D)  
Rep. Rick Laible (R)  
Rep. Jesse Laslovich (D)  
Rep. Bob Lawson (R)  
Rep. Michelle Lee (D)  
Rep. Brad Newman (D)  
Rep. Ken Peterson (R)  
Rep. William Price (R)  
Rep. James Whitaker (R)

**Members Excused:** Rep. Cindy Younkin (R)

**Members Absent:** None.

**Staff Present:** Eddye McClure, Legislative Branch  
Pati O'Reilly, Committee Secretary

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: HB 59, 1/3/2001: HB 130,  
1/4/2001 1/9/2001  
Executive Action: None

HEARING ON HB 59

Sponsor: Rep. Ron Erickson, HD 64, Missoula.

Proponents: Linda Stoll, Representing Missoula County and Montana Assn of Planners.

Eric Feaver, Montana Education Association and  
Montana Federation of Teachers.

Martha Lincoln, Alternative Energy Resource  
Association

Linda Brannon, MASBO

Judy Smith, Missoula Citizen

Ann Hedges, MEIC

Bob Vogel, Mt. School Board Association

Opponents: Byron Roberts, Mt. Building Industry Ass.

Peggy Trenk, Mt. Association of Realtors  
Representative Bitney, HD 77

Opening Statement by Sponsor:

**Rep. Ron Erickson, HD 64, Missoula.** Introduced HB 59. This is a bill dealing with impact fees for schools. The heart of the bill is to get rid of a line saying "A local government may not require a sub-divider to pay or guarantee payment for part or all of the cost of constructing or extending facilities related to education." This statement indicates that schools don't count in terms of impacts on subdivisions. There are impacts from subdivisions on the community as a whole on education. Listed 5 things that impact the communities: involving smart growth, urban sprawl, vehicle miles traveled costly, air pollution, encourage development with incentives, public health and safety. Questions of who pays for the impact costs. **{Tape : 1; Side : A; Approx. Time Counter : 0 - 12.9}**

Proponents' Testimony:

**Linda Stoll, Representing Missoula County and Montana Assn of Planners.** Missoula County has been struggling with this problem, this allows the local government more flexibility in accessing the impacts and costs of new growth as it relates to educational costs. Planners support the concept. **{Tape : 1; Side : A; Approx. Time Counter : 12.9 - 14.3}**

**Eric Feaver, Montana Education Association and Montana Federation of Teachers.** HB 59 is a local control bill, reading the underscored language on page 2, Section 2, it is all permissive, the legislature is not requiring anyone to do anything, it simply enlarges the opportunity for towns and cities to spread the cost of schools. **{Tape : 1; Side : A; Approx. Time Counter : 14.3 - 15.2}**

**Martha Lincoln, Alternative Energy Resource Association** said she is here to speak in favor of HB 59. I learned that 60-70% of local taxes typically go toward education. I am in support of this for the following reasons: to provide an equitable means for sharing an economic impact for new housing developments, to provide economic relief to schools so they can use taxes toward education, and to make sure that communities look at the growth on the existing schools and services. I urge this committee to consider school impact fees as a way to spread the cost of an education equitably; it is currently paid for under income and property tax payers. I also support the fees to replace priority on funding existing schools rather than financing new schools in sprawl areas. **EXHIBIT(loh06a02){Tape : 1; Side : A; Approx. Time Counter : 15.2 - 18}**

**Linda Brannon, MASBO,** said school districts with housing developments in their boundaries have absorbed the costs of increased children by developing subdivisions and cutting already planned education related expenses for the current year. The additional bodies may mean there will additional costs far beyond additional books and supplies. Existing space can only be stretched so far, this bill will help alleviate the problem if the district so chooses to use it without having to cut elsewhere. This bill is not a mandate, and needed. **{Tape : 1; Side : A; Approx. Time Counter : 18 - 19}**

**Judy Smith, Missoula Citizen,** said central city schools are being closed, and schools are being built on the edge of town where new developments are being produced. We believe in neighborhood schools, but we shouldn't be paying for their schools while they are closing the ones nearest us. People can't afford areas where we used to have neighborhood schools or in the suburbs. Therefore, they are forced to move outside of town and commute to work everyday. **EXHIBIT(loh06a01) {Tape : 1; Side : A; Approx. Time Counter : 19 - 23.7}**

**Ann Hedges, MEIC** said that people need to realize that there are costs to living outside of Bozeman to other areas. If we don't equalize those costs, we are going to continue to have sprawl, which costs all of our communities. This is a very easy way to solve some of those problems dealing with the increases in property taxes. I urge your support on this bill. **EXHIBIT(loh06a03)**

**EXHIBIT (loh06a04) {Tape : 1; Side : A; Approx. Time Counter : 23.7 - 26}**

**Opponents' Testimony:**

**Byron Roberts, Mt. Building Industry Association**, said this issue has been in many sessions and debated, continuing to fail. Ultimately, the families living in the new housing developments would pay their share. According to statistics provided by the American Planning Association, 70% of people who relocate to a new neighborhood are from that existing jurisdiction. There aren't people coming in from out of the state. New homes pay twice the property tax of an existing home, and that is financing public education. In addition, we must do everything we can to keep costs affordable in Montana. In the last 10 years housing costs have doubled, lot cost have tripled, and salaries have remained stagnant. It is built into local tax revenues generated by construction and occupancy of each new home. **EXHIBIT (loh06a05) {Tape : 1; Side : A; Approx. Time Counter : 26 - 30}**

**Peggy Trenk, Mt. Association of Realtors**, said their organization is very supportive of smart urban planning. It costs twice as much to build or rehab an existing neighborhood, which results in higher home costs. This is why the pressure lies to build homes outside existing cities. The issues related to growth outside the community are diverse, but this narrow bill won't reach all the solutions to the problems. Education has long been considered a public benefit, and revenues to fund schools come from a broad based plan. School impact fees do raise a fairness issue, because buyers of new homes are the only ones who pay them. People who move into existing houses don't pay them, but share in the cost of education. **{Tape : 1; Side : B; Approx. Time Counter : 0 - 1}**

**Rep. Bitney**, said most subdivisions grow slowly, and couldn't afford to support any major impact fees. Many new homes are purchased by people with no children, making this a windfall to the school districts. I feel this should be the responsibility of the taxpayers with children using the services. They can vote on those mill levies to gain local control in their own school districts. New home building is one of the few bright spots in Montana's economy. The loss of school funding is mainly caused by the decline in enrollment. **{Tape : 1; Side : B; Approx. Time Counter : 1 - 6.9}**

**Informational Witnesses:**

**Bob Vogel, Mt. School Board Association**, said they had an experience in Helena where local impact fees worked very well. We needed to expand a facility in order for parents to send their

children to that particular school and worked well on a voluntary basis. I wanted to give you an example where there is positive benefits from impact fees. **{Tape : 1; Side : B; Approx. Time Counter : 6.9 - 8.5}**

**Questions from Committee Members and Responses:**

**Rep. Carney** asked why it costs more to build in town than out of town. **Ms. Trenk** stated the lots in town have higher costs. It is difficult to get development in an existing neighborhood approved, many of the neighbors don't agree with new additions. If you have a new home in an area that is marginally developed, it is difficult for people to invest their money there. They don't know if they are going to get their money back if they sell in that particular area. It is usually more expensive to remodel than to build a new home.

**Rep. Newman** asked under what mechanism did you collect impact fees and apply them to schools expansion or construction. **Mr. Vogel** stated that they were done on a voluntary basis by an arrangement through the county and school district. **Mr. Erickson** said if you look on pg. 1 of the bill, line 25, they talk about the other provisions. Rural schools are voluntary, but this is different than what I am asking for.

**Rep. Mangan** asked if he sees the bill as being an unfair balance to maintaining equatability. **Mr. Feaver** said he doesn't believe the bill unbalances anything. Why should urban taxpayers who have lost their school, pay for the construction of a school in a more rural community? I don't think this bill unbalances equity what so ever. It is all within the power of the local authorities, nothing happens here by the legislative power except to authorize those entities closest to the issues at hand. If there are questions of equity, they should be answered locally.

**Rep. Peterson** asked how this would affect urban sprawl or reduce it. **Rep. Erickson** said it is a problem in Montana. You have to have some way to encourage building within the city. It is a financial disincentive to go ahead and pay for the school the district that you live in. **Rep. Peterson** asked who is going to make the determination as to the amount of impact fees. **Rep. Erickson** stated it is a collaborative effort. The cost must reasonably reflect the expected impacts directly attributed to the subdivision.

**Rep. Anderson** asked how many homes would have to be built in a subdivision in order to provide the needed revenue to build a new school building. **Rep. Erickson** said the bill talks about capital costs.

**Chairman Noennig** asked how you quantify what are capital facilities, and whether or not someone determines an amount to be assessed based on a capital expenditure, and then collects it and puts it into a fund. **Rep. Erickson** replied that they have to really keep track of where the money came from. I do agree the costs must weighed against the impacts. At the local level there needs to meetings with the relators, developers, and county commissioners to make this work. **Chairman Noennig** asked if the impact is 100% of the cost or is it of the capital facility itself. **Rep. Erickson** replied that the only example he knows of is Missoula adding firemen and policemen. I know they are going through calculations to get that done, but isn't total cost. **Chairman Noennig** asked if the impact fees are used to pay for the extra services needed in newly developed neighborhoods. **Rep. Erickson** said no. The contents of the community impact report turn out to be exactly all the things that were up in #1 and it includes schools. **Chairman Noennig** asked what the cost will be in an average situation. **Rep. Erickson** said he could find out the costs in other states that have these impact fees. It has worked many places in the United States. {Tape : 1; Side : B; Approx. Time Counter : 8.5 - 25.2}

**Closing by Sponsor:**

**Rep. Ron Erickson** stated this is a narrow bill to give us one more tool. This is a toolbox for planning, and it's a very large box. The question as it stands is, who pays for the new schools. As of right now, we all pay for that new school. This is a fairness bill as well as a local control bill. {Tape : 1; Side : B; Approx. Time Counter : 25.2 - 30}

**HEARING ON HB 130**

**Sponsor:** Rep. Bob Lawson, HD 80, Whitefish

**Proponents:** Karen Strege, Director of the State Library  
Kathy McGowen, Montana Library Association

**Opponents:** none

**Opening Statement by Sponsor:**

**Rep. Bob Lawson, HD 80, Whitefish** said this bill was written by the library congregation task force which is appointed by the library commission. The task force purpose is to review library laws and suggest improvements. In this bill we have simplified and clarified library federation laws. All six Montana library

federations have approved this bill. I will provide the proposed amendments(see exhibit 6 and fiscal note). **EXHIBIT(1oh06a06) .{Tape : 1; Side : A; Approx. Time Counter : 0 - 3}**

**Proponents' Testimony:**

**Karen Strege, Director of the State Library,** said federation activities are administered by federation coordinators. These coordinators give their support for this bill. They are governed by an advisory board composed of federation members, librarians, trustees, and staff. The state library believes that the changes in HB 130 makes the law easier to understand, which also makes implementation easier. This is supported throughout the library community, and there has been no objection. **EXHIBIT(1oh06a07) {Tape : 1; Side : A; Approx. Time Counter : 3 - 9.6}**

**Kathy McGowen, Montana Library Association,** said libraries throughout the state do support this. It clarifies and simplifies the law. **{Tape : 1; Side : A; Approx. Time Counter : 9.6 - 10}**

**Opponents' Testimony:** none

**Informational Testimony:** none

**Questions from Committee Members and Responses:**

**Rep. Peterson** asked if all boards and commissions are advisory only, including the library. Does the library have the legal ability to contract for anything, or is it up to the city? **Ms. Strege** replied in the case of non-charter public libraries, they can come into contract themselves. Sometimes they avail themselves so that the legal services of the city or county can renew such contracts. **{Tape : 1; Side : A; Approx. Time Counter : 10 - 10.6}**

**Chairman Noennig** asked what the purpose of a federation is. **Ms. Strege** said they exist to share resources. Librarians get together and plan joint projects, which they can't plan on their own. They purchase services by combining their funds and continue education activities. **Chairman Noennig** asked how the appropriation of state funding plays a role in this particular bill. **Ms. Strege** said there is state money that goes to fund the federations. Some from the coal tax fund, and also the general fund. This doesn't change the amount of funding that goes through the federation. **{Tape : 1; Side : A; Approx. Time Counter : 10.6 - 15.5}**

**Closing by Sponsor:**

**Rep. Lawson, HD 80, Whitefish,** states he urges a do pass. If there are any issues or concerns I am willing to work with all of you.

Again, the purpose of the bill is to clarify and simplify. **{Tape : 1; Side : A; Approx. Time Counter : 15.5 - 16.7}**

**EXECUTIVE ACTION ON HB 130**

**Motion:** Rep. Lawson moved that HB 130 DO PASS.

**Motion/Vote:** REP. LAWSON moved that HB 130 BE AMENDED. Motion carried 18-0.

Rep. Lawson moved that HB 130 DO PASS AS AMENDED.

Chairman Noennig asked if anyone had an opinion on public bodies contracting. Eddye said she doesn't have any information off the top of her head. Chairman Noennig asked Rep. Peterson to comment. Rep. Peterson stated that the boards and commissions in the city of Billings are advisory only, and don't have power to do anything but advise.

**Motion/Vote:** REP. LAWSON moved HB 130 DO PASS AS AMENDED BE POSTPONED. Motion carried 18-0.**{Tape : 1; Side : A; Approx. Time Counter : 16.7 - 24.7}**



**ADJOURNMENT**

Adjournment: 4:56 P.M.

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REP. MARK NOENNIG, Chairman

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PATI O'REILLY, Secretary

MN/PO

***EXHIBIT*** (loh06aad)